



# City of Deltona

2345 Providence Blvd.  
Deltona, FL 32725

## Minutes

### Firefighters' Pension Plan Board of Trustees

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**Monday, August 5, 2019**

**11:00 AM**

**2nd Floor Conference Room**

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#### 1. CALL TO ORDER:

Chairman Vroman called the Deltona Firefighters' Pension Board of Trustees Meeting to order at 11:00 a.m. and he asked Ms. Day to do Roll Call.

#### 2. ROLL CALL

Chairman Vroman stated for the record Ms. Deyette is excused from the meeting due to medical issue.

Also in attendance was City Attorney Segal-George.

**Present:** 4 - Chair Kurt Vroman  
Secretary Gene Gizzi  
Member John Fleemin III  
Member Douglas Watler

**Excused:** 1 - Member Janet Deyette

#### 3. APPROVAL OF MINUTES & AGENDA:

##### A. Request for approval of the Minutes from the June 10, 2019 Firefighters' Pension Board of Trustees Meeting

Chairman Vroman stated next item on the agenda is the approval of the minutes from the June 10, 2019 Firefighters' Pension Board of Trustees Meeting and today's agenda. He started with the approval of the minutes. Mr. Fleemin made a motion to approve the minutes.

There was no discussion or public comment.

**Motion by Member Fleemin, second by Chairman Vroman to approve the minutes from the Monday, June 10, 2019 at 4:00 p.m. Firefighters' Pension Board of Trustees Meeting as presented. The motion passed by the following vote:**

**For:** 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

Chairman Vroman asked for a motion to approve the agenda for August 5, 2019 and the reason he separated the two (2) items out is he was invited to speak at a conference and he does have a request for reimbursement of expenses for parking and Uber transportation to and from the conference location unless the Board would like to discuss this under Board Member comments.

Ms. Spriggs suggested it could be placed under Other Submissions.

Chairman Vroman stated he did not have the official form but he would add up the expenses and submit the receipts.

Mr. Gizzi asked when the Plan Attorney would be arriving. Chairman Vroman responded the Plan Attorney is completing a meeting in Daytona. Mr. Gizzi acknowledged the City Attorney was in attendance today specific to the discussion of SB-426. Chairman Vroman stated the agenda was set up as we knew this was going to happen so the Board would go through the investment presentations and then the Plan Attorney would be here. He asked if the City Attorney was going to be in the office most of the day. Mrs. Segal-George responded "yes" but she has meetings scheduled at noon and at 2:00 p.m. Chairman Vroman asked if we could send someone to get her. Mrs. Segal-George responded she had hoped the discussion would take place before noon, it is an important issue and she has already rendered an opinion that has been sent to CHUBB. Mr. Gizzi asked if he could report back to the City Attorney after the Board has discussion with the Plan Attorney. Mrs. Segal-George responded since it is such a big issue that is why she agreed to come that she was told the meeting was scheduled for 11:00 a.m. She stated Mr. Gizzi has the opinion and he can read to the Board what she said but she just wanted to hear the Board's discussion regarding this issue. She stated from her perspective she wants to take a stand on this that she does not think the City has any liability and that CHUBB can't use that Senate Bill as an excuse. Mr. Gizzi explained they have been able to bind the \$25,000 diagnostic and the \$75,000 death benefit should occur from one (1) of the 21 cited cancers however they are unwilling to cover retirees who have remained on the health plan for a period of up to 10 years. He stated the only other policy out there covering City liability is Hartford who has not been approved by the Insurance Commissioner and it does not cover the \$75,000 death benefit pursuant to SB-426. Mrs. Segal-George responded there are seven (7) retirees that are affected by this situation and her understanding is that CHUBB is looking at the Senate Bill and saying that is the reason they do not believe the retirees should be covered. Mr. Gizzi stated the other company doing this will not cover the death benefit so they are not using the Senate Bill as an excuse they are just saying they are unwilling to underwrite those who are a higher risk and are retired. He suggested that may be an internal matter he could discuss with the City Attorney, City Manager and the Human Resources Director but the application that the Plan Attorney is going to have here and the actuary as a potential expense and impact on the plan and he does not believe they are going to cover it. Mrs. Segal-George responded they are going to cover the impact of the Senate Bill in the Plan. Mr. Gizzi responded that is what he understands. Chairman Vroman stated someone would get with Mrs. Segal-George or if need be the Board could hold a special meeting of the Board of Trustees to handle this.

Mr. Gizzi stated he understands there may be an amendment to the bill and that may address that issue of the retirees.

City Attorney Segal-George left the meeting at 11:10 a.m.

Chairman Vroman stated the Board still needed to approve the agenda.

Mr. Gizzi made a motion to approve the agenda as a m e n d e d .

**Motion by Member Gizzi, second by Chairman Vroman to approve the August 5, 2019 Firefighters' Pension board of Trustees Agenda as amended.**

Chairman Vroman asked if there was any discussion. Mr. Fleemin pointed out there are a couple of Plan Members in attendance and he does not know if either would like to speak on anything. Chairman Vroman responded we can go out of order for that or they could speak after any agenda item so, if it is something the member wants to speak about we can consider moving that up with no problem since they are here. He asked if the Board wanted to move Member Comments up and the Board agreed. He suggested Plan Member Comments could be placed on the Agenda as Item 3B. He restated the motion to approve the agenda as amended with Item 3B being added.

**Motion by Member Fleemin, second by Chairman Vroman to approve the agenda as amended with Item 3B Plan Member Comments being added. Motion passed by the following vote:**

**For:** 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

**B. Plan Member Comments**

Chairman Vroman asked the Plan Members present to feel free to step up if there were any questions or comments. He stated he understood the member's information is exempt but if they would at least fill out the name so the spelling will be correct in the minutes.

Plan Member Melanie Nipper stated she did not have any questions or comments at this time however she is getting close so she is just attending to see what is going on with the benefit enhancements. She stated she is looking at DROP in about a year and 4 months and she wanted to know how she will be affected.

Chairman Vroman responded there was a study done through the actuary and preliminary numbers were given but no solid numbers were received in writing. Once the numbers are received in writing, the union members will vote to bring something forth to the City Manager and the Pension Board. He stated if you remember the contract said "up to" a certain amount of money for the benefit. He stated the actuary had to start with what we were willing

to pay and work backwards providing options to see what was wanted. He stated it is a work in progress and it was his hope that it would be done by October 1 when their pay raises and increased contributions went into effect.

Mrs. Nipper asked if the Chairman believed this would happen within a year and commented she is hearing that it would not be cost effective for her. Chairman Vroman responded he understood and that the actuary was directed to figure going forward, retro and provided different options to see what would be best. He suggested having Ms. Spriggs to send an email to the actuary and ask for solid numbers in writing.

There was no other discussion.

#### **4. PRESENTATIONS/AWARDS/REPORTS:**

##### **A. Consent Approval of Expenditures - Lisa Spriggs, Plan Administrator**

Chairman Vroman stated the next item is Item 4A the approval of expenditures.

Ms. Spriggs went over the list of approved expenditures showing invoices at the top that have not been paid and upon the Board's approval will be paid this week. The invoices at the bottom under the subtotal were paid between the April 16 meeting and now that were approved by the Chairman and herself.

Mr. Fleemin stated he is good with the math but before he makes a motion he has questions regarding the subject matter in the line items on the Plan Attorney Christiansen & Dehner's statement. He asked about the line item where Mr. Christiansen updated Mr. Herrera on April 8th and the 15th and what the outcome was in an update. Ms. Spriggs responded she is not sure Mr. Christiansen called Mr. Herrera but this took place prior to the transition so Christiansen & Dehner was responsible through May. Chairman Vroman commented Mr. Fleemin has a valid question seeing how much money has already been spent and billed to Board and that we make sure it is not a repetitive issue the Board is being billed for. He commented he knew after the last meeting the Board needed to make that issue a priority. Chairman Vroman responded the Board can discuss that somewhere else so we can get through this item. Mr. Fleemin made a motion to approve the invoice log for August 5, 2019.

**Motion made by Member Fleemin, second by Member Watler to  
approve payment of the invoice log for August 5, 2019.**

Chairman Vroman proposed a friendly amendment to the motion to include the amount of \$32,196.30 that includes \$22,724.36 to be paid with the balance already paid.

**Friendly amendment by Chairman Vroman to the motion to authorize  
the amount of \$32,196.30 that includes the amount of \$22,724.36 to be  
paid with the balance already paid.**

**For: 4 -** Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

**B. Other Submissions - Lisa Spriggs, Plan Administrator**

Chairman Vroman stated he as invited to attend a Public Funds Summit in Newport, Rhode Island and the costs were covered with the exception of travel to and from the airport and parking at OIA or a total amount of \$114.21. He stated it was something that came up between meetings and he was unable to bring it before the Board. He stated he took the opportunity knowing that he may or may not be reimbursed. He is asking the Board's approval for the reimbursement of these expenses. He stated he fill out the Request for Reimbursement form and forward it along with the receipts to Ms. Spriggs for backup. Mr. Watler made a motion to authorize the reimbursement.

There was no Public Comment or discussion on this item.

**Motion made by Member Watler, second by Member Fleemin to authorize the reimbursement of travel expenses in the amount of \$114.21 to Chairman Vroman. The motion passed by the following vote.**

**For: 4 -** Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

Ms. Spriggs stated she had two (2) more items under Other Submissions to be read into the record. She stated the paperwork has been provided.

She stated there was a separation of service by Joseph Piambino and the plan reimbursed his contributions in the amount of \$3,006.84. He was a non-vested member.

She stated next is a request for contribution distribution by Eric Baxa-Breedlove who was a vested member. Mr. Breedlove was provided an actuarial so he could make an educated decision to have his contributions distributed and to waive his future rights to a vested benefit and to see when he would be eligible for the actual retirement benefit. She stated he has chosen to have the return of his contributions, he has signed paperwork so that has been processed in the amount of \$45,943.71.

Mr. Fleemin asked if Salem Trust is just cutting a check to Mr. Breedlove instead of rolling it into something else. Ms. Spriggs stated what she put in the record was the one form however there are other forms where the member directs and his direction was a lump sum distribution so Salem will take care of transferring that amount to Mr. Breedlove's bank account. Ms. Spriggs stated the Board will have to approve the distribution. Mr. Gizzi stated he would make the motion. The Chairman and Secretary signed the document for the record.

Ms. Spriggs asked the Mr. Gizzi sign each of Chairman Vroman's receipts for his travel reimbursement and she will also sign them for authorization to be paid by Salem.

Chairman Vroman asked if there was any discussion or Public Comment and there was none.

**Motion made by Member Gizzi, second by Member Watler to approve the distribution in the amount of \$45,943.71 The motion passed by the following vote:**

**For: 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler**

Chairman Vroman stated the next item is the Domestic Equity Presentations and he asked if the presentations were time certain. Ms. Day responded "yes" and read the list of presenters and times.

Mr. Gizzi asked to clarify that Mr. West was on his way. Ms. Day responded she had not heard from Mr. West however Mr. West had confirmed the agenda and she is assuming he will attend.

Chairman Vroman asked if the Board wanted to recess the meeting or start calling the presenters adding that we have 15 minutes before the first presentation. He stated he was hoping that Mr. West would be here and give a brief synopsis of the purpose of the presentations. Mr. Fleemin asked if the Board wanted to move to item 6b. Chairman Vroman responded "no" because he wants the Plan Attorney here for that item. He asked to recess the meeting to see if Mr. West arrives.

Chairman Vroman recessed the meeting at 11:30 a.m. The meeting re-convened at 11:45 a.m.

**C. Domestic Equity Presentations facilitated by Dave West**

Chairman Vroman stated with Mr. West not in attendance at this time he wanted to ask the Board Members how they would like to proceed. He stated he did try to reach out to Mr. West to obtain his ETA with no response. He asked if there was any discussion on the next move.

Mr. Watler suggested a motion that the Board hear the presentations allowing the presenters 15 minutes for the presentation followed by Q&A.

Mr. Gizzi stated that is the most respectful way to proceed as the Board covered so much ground at the last meeting and there are a lot of open questions because we are looking at Administrative Services and two (2) different investment sectors. He asked that someone remind him of what is being done; are we moving money from growth to blue chip or moving funds, splitting allocations, moving specific amounts of money, etc. Chairman Vroman

responded he did not recall without looking at the minutes. He stated to Mr. Watler's point the Board should hear the presentations and at some point Mr. West will be here and advise the Board as to what is being proposed. Mr. Gizzi suggested the presenters could take a moment at the beginning of their presentation to go over what they discussed with Mr. West. Chairman Vroman stated he would ask the first presenter to join the meeting.

**Alger Capital - 11:49 a.m.**

Mr. Gizzi stated the Board's advisor is not here and he asked the presenter for Alger if he could in about a one (1) minute on what was presented to you by Mr. West.

Mr. Bob O'Dell from Alger Capital a Large Cap Growth Capital Appreciation Strategy Mutual Fund stated he had gotten a notice from Mr. West that they were here for a 20 minute presentation and a 10 minute Q&A and that they are competing against T Rowe Price. He stated Alger has a pretty extensive relationship with &Co specific to this strategy; they have a number of clients especially in the State of Florida and that was what was communicated to them. He asked if there were any other questions and there were none. Chairman Vroman stated he would run a timer and let them know at 15 minutes to keep the agenda on schedule.

Mr. Bob O'Dell introduced himself and stated he had been on the Alger Institutional Sales Team for the past 9+ years. He introduced Mr. Kevin Collins who is a Senior Vice President and Client Portfolio Manager who has been with Alger since 1996. He added Mr. Collins had spent most of that time with the investment team and truly grew up with the Alger investment philosophy. He thanked the Board for the opportunity to be here today. He gave a brief introduction on who they are and what they do. He asked if there was anything specific he needed to address. He spoke about helping clients achieve their growth equity investment objectives for over 50 years with experience and independence, philosophy, their growth specialists and focus. He pointed out that they have institutional investors who have been invested with Alger since 1979. He stated they only focus on Growth Equity investment management; Alger was built on growth. He stated Alger a New York City Based organization has a well-balanced array of clients and investors with locations in Jersey City, Boston, London and a fully operational disaster recovery facility in Morristown, New Jersey. Alger is a 100% women owned organization with a 33% employee participation and an all-time high of around \$29 billion in assets under management. He turned the presentation over to Mr. Collins.

Mr. Collins thanked the Board for having Alger in today to talk about Alger's Large Cap Growth Strategy and the people who run the portfolio. He stated the portfolio managers Patrick Kelly and Dr. Ankur Crawford grew up with Alger as he did starting at the lowest level research function and working their way up. He added they led the tech team and when you talk about growth stock investing you are talking about technology because that is where a lot of growth is in the worldwide economy today; both are part of the Alger partners plan and have all rights and privileges of economic ownership in the firm so they are well tied to your plan because of the similar incentives and the performance of the plan's monies. Mr. Kelly joined the firm in 2004 and Dr. Crawford joined the firm in 2015, both are in their early 40's with a lot of experience and will be on the portfolio for a long time. He stated they operate in a

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super competitive business and Mr. O'Dell had mentioned that Alger was at an all-time high in assets under management so the market is recognizing Alger as well as the clients are recognizing the good work they do. He stated Alger could not do it without developing ideas that are different than other investors, they cannot use the same raw material as everybody else so they hire a lot of money making analysts and train them to become money making analysts. He went over the strategy for the clients' benefit. He explained Alger's investment philosophy believing that companies undergoing positive dynamic change offer the best investment opportunities, identifying these companies and capitalizing on the change before it is recognized in the market, embracing change found in traditional growth companies and in companies experiencing a growth renaissance. He stated now is a great time to consider growth investments broadly speaking because there is a lot of change going on, there is a wave of innovation such as cloud computing, software, artificial intelligence, automated vehicles, gene sequencing, individualized medicine, virtual reality and 5G. He gave examples of two (2) stocks in the portfolio with two (2) types of growth situations; high unit volume growth companies one of which is "Sales Force .com" which is probably the best cloud software company and positive life cycle change companies and a good example is "Progressive Insurance" who has a lot of data from insuring automobiles and are able to use software and algorithms to price their insurance policies less than their competition. Next he spoke about Alger's investment process with the analysts being like investigative journalists using the original research to build a differentiated view and if there are any questions he will answer them during Q&A. Next he gave an overview of Alger's Capital Appreciation Strategy and portfolio attributes. He went over trends that are shaping the world's economy and specifically in the US listing cloud computing, health care, artificial intelligence and digital transformation. He went over the top 10 holdings in the Alger Capital Appreciation Strategy pointing out that the top 10 positions are 50% of the portfolio. He turned the presentation back to Mr. O'Dell.

Mr. O'Dell went over the vehicles and the fees and what Mr. West had proposed was that the Deltona Plan utilize Alger's Class Y Share for the Mutual Fund that comes in at 75 basis points however they do have a less expensive option available with Collective Investment Trust which runs like a mutual Fund at 65 basis points. He stated in closing went over the 15 year track record and the reason for using 15 years is significant is that Mr. Kelly the lead portfolio manager took over this strategy back in 2004. He stated what Mr. Kelly and his team have been able to achieve here are strong absolute returns over the long term. He thanked the Board again for the opportunity and opened up to questions.

Mr. Gizzi asked to clarify that Class Y has only been around for a couple of years and is there a chart that shows a longer term versus the benchmark. Mr. Collins responded the best long term results can be found on Page 5 stating this is Alger's proof statement going back for more than 50 years. Mr. O'Dell stated for more details he referred to Page 19 showing the average annual total returns and the calendar year returns. Mr. Gizzi commented that Mr. West kept referring to being late in the cycle and he asked if they could speak to that and how that effects the chart on Page 8. Mr. Collins stated typically growth stocks do well late in the cycle and that is why Mr. West is talking to the Board today wanting the Plan to get exposure to these stocks that are not as cyclical as an emerging or financial company. He added that technology and health care companies tend to create their own opportunities so they are not as dependent on interest rates and can grow their own earnings at double digits even in



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difficult economic times. Mr. Gizzi commented the fees do seem to be a little on the high end and he asked if this was because of the active management. Mr. O'Dell responded it was his understanding that the plan's investment was in a passive index which is a lot less expensive than active management. He added he believes that over time Alger has proven they have earned their fee for their clients. Mr.

Collins pointed out that the record dating back to the 70's is double digit returns and the value added over that time on an average annual basis has been about 3.2%. Mr. Gizzi asked if those average annual returns net of fees. Mr. O'Dell responded "yes" because they are net of expense ratios. Mr. Gizzi commented the Board would need to figure out the difference between the Y shares and the Collective Investment Trust.

Chairman Vroman asked if the difference between the two vehicles and the positives and negatives could be explained. Mr. O'Dell responded the positive of the Collective Trust is it is a much more simplified cost structure with one (1) 65 basis points fee that covers everything it is administered by SEI, they have been streamlined and behave very much like a mutual fund where you can move your money in and out more easily. He added he believes what they were set up to be a bridge between a separate account and a mutual fund and was a way for institutions of a certain size to gather that more institutional sized exposure without getting up to the complicated level of signing contracts and separate account managers. He stated it is very popular in the market place and is growing in the defined contribution space like 401K's and the like. Mr. Gizzi asked what the minimum buy in at 75 basis points and is there a structure when you get over a certain amount. Mr. O'Dell responded for the Y Class he believes the minimum is \$500,000 but can be waived for certain plans like Deltona Firefighters and he knows the mandate here is about \$7 million so there would not be a problem. He stated the minimum for the Collective Investment Trust with 65 basis points is \$1 million so you would meet that as well. It is just the same strategy run by the same team but a different vehicle option depending on what the plan is comfortable with. Chairman Vroman asked if he had missed the negatives. Mr. O'Dell responded he was not sure there were any negatives.

Mr. Gizzi asked about the return stream historically between the Trust and the Y Class other than the 10 basis points difference in the fee. Mr. O'Dell responded it would be minimal and most of that would be the difference in the expenses.

Mr. Watler asked what Alger's turnover in stocks is. Mr. Collins responded the turnover in the portfolio has been 80%. Mr. Watler asked that the connection with Weatherby be explained, do they have it or not. Mr. Collins responded Weatherby is totally unconnected with this strategy so it would not affect any investors here. Mr. O'Dell added they were acquired by Alger on March 1, 2017, they are owned by Alger fully but they are independently operated out of Boston. We keep our research teams separate. Mr. Collins stated the firm is about 1/20th the size of Alger. Mr. Watler asked if the principles had their own personal money in the fund or do they have an option based on performance. Mr. Collins responded they do have their own money in these Large Cap Growth strategies that they operate and are very actively engaged. Mr. Watler asked since Class Y is only 1 1/2 years old does it have a different portfolio structure from Class Z or Class 1. Mr. Collins responded they are all the same philosophy, same process and same team. He stated the Y is one (1) of the most

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affordable Fund and through time the most cost effective. Mr. O'Dell commented they are recognizing the market place is looking for lower cost providers and that is why they launched it.

There were no other questions.

Chairman Vroman thanked Mr. O'Dell and Mr. Collins for their time.

### **T.Rowe Price Blue Chip Growth Fund - 12:20 p.m.**

Mr. Lawson Hauptfuher introduced himself and Mr. Craig Watson and he thanked the Board for the opportunity to be in attendance. He recognizes this is an important decision for the Board, they are happy to be here and talk about their Blue Chip Fund. He thanked the active members, retired members and support staff for supporting your local fire retirement system. He summarized that they have about 30 minutes. Chairman Vroman stated they will have 20 minutes to present, he will give the 5 minute sign and then they will have 10 minutes for Q&A. Mr. Hauptfuher gave a brief overview of who T.Rowe Price is and then they will dive into the Blue Chip Growth Fund for the Board's growth considerations. He pointed out that T. Rowe Price was founded in 1937, they are headquartered in Baltimore Md., they are an independent investment organization focused solely on their client's investments, they are a public holding company with substantial employee ownership, they are globally diversified managing 1,125 billion USD, proprietary fundamental research is their lifeblood and they are a highly stable organization both financially and with personnel. He stated they are active in the State of Florida with 25+ institutional clients with just over \$4 billion in assets 12 of which are invested in the Large Growth Strategies and they do support FPPTA. He stated lastly Large-Cap Growth investing is a significant business for T. Rowe Price. He stated we are here today to talk about the Blue Chip Growth Fund.

Mr. Gizzi stated Mr. Hauptfuher stated we are concentrating on the Large-Cap Core Growth and he asked the relationship of the two (2) charts on Page 5. Mr. Hauptfuher responded the chart on the right is a breakdown on the chart on the left showing the different vehicles used but the vehicle they are presenting today according to the information they received is the Blue Chip Growth Mutual Fund. He turned the presentation over to Mr. Watson.

Mr. Watson began by going over the US Large-Cap Growth Equity Investment Team pointing out the stability, depth and collaboration of the team. He stated extensive collaboration among investment professionals enhances idea generation. He stated all the portfolio managers started out as analysts before moving into a portfolio manager role. He stated their key sustainable competitive advantage that allows the process to remain repeatable over time; T.Rowe Price has 159 equity research professional worldwide, the analysts are industry specialists with each covering between 20 - 40 stocks across the capitalization and style spectrum doing a deep dive into the industry. He stated by the time a company reaches Large-Cap status we consider the company has created an \$8 billion market cap so they will know that company extremely well. He stated they also have another 90 Global Fixed Income analysts and his reason for highlighting that is not only can they connect the dots globally they are also able to analyze the entire capital structure of a company which was very

important in 2008 as it allowed T. Rowe Price to get out of some of the financial companies owned quickly before it was apparent there were a lot of toxic assets in their balance sheets. He stated he could not stress enough about their global research effort, it is deep, it is global and it is broad. He stated their philosophy and process has been consistent since conception dating back to 1993 when they launched the Blue Chip Growth Fund. The fund was built on the premise that durable sustainable earnings and free cash flow growth drive investment returns over time allowing them to compound growth and wealth for their clients. He stated they focus on leading business franchises that can successfully weather economic cycles. He went over the Blue Chip growth philosophy, the investment process flow chart and the portfolio construction and risk management. He stated T. Rowe owns 128 holdings and he went over a snapshot of the portfolio pointing out that the top 10 holdings make up about 45% of the portfolio and under the portfolio characteristics the top 20 holdings represent 62% with portfolio turnover over the last 12 months at 28.2%. He stated the reason for 128 holding is they like to be able to diversify the portfolio to help control the risk profile adding since the inception they have always had a long tale in the portfolio. He stated having 62% in the top 20 demonstrates conviction especially in those top names that are highly rated by their analysts. He stated from a sector standpoint as a growth investor you will likely you will see a significant exposure to fast or secular growth areas like information technology, consumer discretionary, health care, business services with very modest or no weightings in the slow growth more defensive categories like real estate, consumer staples, utilities, energy and materials. He spoke about market capitalization going over the portfolio's overweights and underweights. He wrapped up the presentation with a performance review including style consistency and total return performance for multiple years going back to inception of the Blue Chip Growth Fund June 30, 1993. He stated you can see the calendar years at the bottom of that chart and for a calendar year perspective you can circle 2008, 2011, 2014 and 2016 which were all the years they trailed the Russell 1000Growth but now if you go back and pull the attribution analysis you will see a common trend of defensive stocks at some point in the year outperformed faster sector growth companies which is the environment we are likely to trail in because they will not chase those names if they cannot justify the growth. However, if you look at those returns coming out of those periods they have typically done extremely well due to the great buying opportunities when companies are selling off. He touched on the three-year rolling returns for period ending June 30, 2019 annualized net of fees vs S&P 500 and the Russell 1000 Growth Index. He spoke about the total return performance risk/return characteristics for the five years ended June 30, 2019 pointing out that with the volatility until the past 5 years T. Rowe Price has not deviated from their style so you are going to get a true Large-Cap Growth portfolio. He stated they are long term investors, they look at the plan as a long term partner and if you give them 3 years you will see that they typically get it right and that is the best way to judge their performance. Mr. Hauptfuher stated just wrap it up, one point of clarity on Page 22 T. Rowe Price has a very rigorous and conservative internal compliance department and what they are presenting today is the Blue Chip Growth Fund Institutional Share Plan and Page 22 is their retail class He pointed out that in the middle of the page at the bottom it shows an expense ratio of 70 basis points; Page 39 has the Institutional Share Class and yes their compliance department makes them put this all the way in the back as to not be confusing. This is the page the Board should be looking at and it shows a net expense ratio of 57 basis points and paying less fees you will see higher performance.

Mr. Gizzi asked what the minimum buy in point for the 57 basis points. Mr. Hauptfuher responded \$1 million. Mr. Watson added one point he wanted to make is they manage one master portfolio but you can get it in these different vehicles with all portfolios looking similar and look the same based on the fee structure. Mr. Hauptfuher asked if there were any questions to be addressed.

Mr. Gizzi commented Mr. West has been using the context of how late we are in the cycle and what he is gathering is T. Rowe Price does not spend a lot of time worrying about the cycle as with the analysis. Mr. Watson responded they are not instructed by the companies especially looking at the top 10 companies in the fund as he feels the companies continue to have ample room to grow. So, although there is a perception that we are late in the cycle because we have 10 year bull market when you think about it we are not as deep in the market cycle as we may think because it has been a gradually improving US economy over time. He stated we have not had the boom and bust that is with the typical bull market; interest rates they feel will remain at a relatively low rate and the companies they own are disruptive companies. He stated they have done some studies and by their calculations 31% of the S&P is currently facing threatened disruption from the massive secular growth companies that T. Rowe Price is invested in that will continue to grow over multiple year periods. He stated he is not so concerned with the short term volatility in the market due to the upcoming elections or the US/China trade issues. He stated they are keeping an eye on it but they are investing in companies regardless of the volatility but over the next 3 to 5 years they will continue to grow and a good example would be MasterCard and Visa who are payment processors as there is a global trend of less use of cash in the form of Debit/Credit cards and it would take multiple years for anyone to replicate their network. He also noted Amazon, Cloud Computing or Amazon Web Services are leaders in the public cloud infrastructure and there is a trend in replacing massive data centers moving those centers into the cloud.

Mr. Watler asked if there was any personal money of the portfolio team invested in the plan. Mr. Watson responded "yes" that Larry Puglia the lead portfolio manager has not sold a share and has only added and pledge has always been to never sell any of his investment as long as he is managing this portfolio. He stated Mr. Puglia's money is significant as is his. He added a big form of their pay is in equity so not only do they have a lot of money in these products we have a significant amount of network and teamwork in T. Rowe Price's stock in general so the longer they are there the more you net worth which keeps turnover low. He stated everyone is invested in taking care of their clients. Mr. Watler stated you talked about international analysis and exposure and asked if any of these stocks international and through the attorney does that effect our international investment mandate. Plan Attorney Herrera responded that State law requires a certain amount of foreign exposure to companies not domiciled in the US however in Collective Investment Trusts or Mutual Fund products the State has opined that you do not need to look through the actual wrapper to each individual holding and account for as part of the plan's own. Mr. Watler asked to go through some companies on Page 19 he was not familiar with. He asked about Splunk. Mr. Watson explained that was a recent purchase and is one of the leading analytic software companies that will become very powerful and useful as we move into a more machine learning environment or artificial intelligence environment. He pointed out that it had just moved into their market cap spectrum where they can buy it and that their mid-cap and small-

cap teams have owned this company for a couple of years and know that company. Mr. Watler asked about Zylem. Mr. Watson responded this is a new name in the portfolio, is a spinoff and they invest in industrial parts and machinery used in autonomous driving. Mr. Watler asked about Fiserv. Mr. Watson responded Fiserv is a leading data processing payments company and that he had mentioned that T. Rowe Price is big into global payments and processing. Mr. Watler asked about Zoetis. Mr. Watson responded Zoetis is a leading animal health care company. Mr. Watler referred to Page 13 and asked if this was an overview and asked the number of holdings. Mr. Watson responded this is an overview and if you are looking for the number of holdings in the portfolio that can be found on Page 28.

Mr. Gizzi asked in the presenter's own words why they consider low turnover is a good thing in your portfolio management. Mr. Watson responded first they take a long term approach and they have a rigorous and analytical process and are looking over a 3 year time horizon for that investment to play out staying in companies longer and compounding growth and taking advantage of the durability of growth. He stated they have trimmed around some, taken some profits or added to them but their core holdings have been in the portfolio for a multiple number of year periods so if you look at the compounding effect and the returns that have been generated since their initial holding period it is powerful. Mr. Hauptfuher stated a side point to that is they are investors, not traders; they do trade stocks in and out so it helps keep fees low. Mr. Watson referred to Page 18.

Chairman Vroman asked how they see Boeing's problem turning out and why will you stay invested in them. Mr. Watson explained why they were staying invested and why they were adding to it at 3.4%; (1) they have always said that if the issue with the Max 8 is confined to a software related fix that is something they can live with and over time when you look back on this issue it may prove to be material to the grand scheme of things from a financial standpoint. Now again they are going to sell brand reputation, they have had to halt the planes and push deliveries out so the numbers have come down in 2019 but when you step back and look at the secular growth profile of the commercial aerospace growth profile global traffic growth is going to continue to be in the 4 - 6% range and the current demand and backlog of aircraft needed in the next 20 years is still about 43,000 aircraft with about 8,000 of those coming from China. He stated when you think about narrow bodied planes there are only 2 players in town Boing and Airbus so if you cancel your order with Boing you have to get in line behind others so your wait is about 5 - 7 years and (2) when you think about the power of this franchise they think if it is software related; if it is a total redesign on the aircraft we may have a different answer and cut our exposure a little. He stated he is very confident in the CEO Dennis Mullenburg who they have met with a number of times, he is probably one of the best CEO's in the country. He added their analyst Jason Adams used to work at Boeing and he knows this company very well. He stated they changed the 1 year number but they have not adjusted the numbers 2 years and he believes when you push it out 2 years you will still see that \$37 number and a stock price at \$340 so fundamentally and valuation wise this is a stock attractor we just have to get rid of this tough point. Mr. Herrera asked if they have a number in terms of a style shift between

growth and value-add as some of the companies might teeter the line between both. Mr. Watson responded that the majority of the portfolio as you can see from our sector positioning that the majority probably 80% of the portfolio is going to be secular growth oriented. He stated there

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are some companies he would not call value-add but maybe are like Garbi type companies but when you find a company making that transition from value to growth that is a pretty powerful story and the best example he can give is Microsoft. He stated they got back into Microsoft in 2015 when the company re-shifted and focused on the cloud and it turned out to be one of their best ideas since 2015.

The presentation concluded at 1:02 p.m. with Mr. Hauptfuher thanking the Board for their time.

Chairman Vroman recessed the meeting at 1:02 p.m. The meeting reconvened at 1:11 p.m.

### **Brandywine Global Investment Management, LLC - 1:12 p.m.**

Chairman Vroman introduced Brandy wine a dynamic large-cap value manager and stated there will be a 20 minute presentation with questions afterwards. He will give a 5 minute sign when there is 5 minutes left.

Mr. Mark Juelis, Vice President of Brandywine introduced himself and Mike Fleisher, Lead Portfolio Manager. He thanked the Board for their time and consideration. He stated he is here to talk about Dynamic Large-Cap Value Equity and he began with an overview of the firm and team. He stated Brandywine was founded in 1986 with their headquarters in Philadelphia and offices in Toronto, Montreal, London and Singapore. They are a wholly owned but independent subsidiary of Legg Mason which means they get a piece of the revenue, provide some services and support as well as distribution of the more retail focused channels of the institutional investment landscape. He stated outside of that they have no decision making authority and do not have any influence on the day to day activities of the firm. He stated on Page 4 he spoke about of the \$76.7 billion in assets the Dynamic Large Cap Value Equity Team manages just under \$10 billion. He went over the Core Team stating that the team was started by Henry Otto who joined Brandywine Global in 1988 and Steven Tonkovich who joined Brandywine Global in 1989 so, they have over 30 years of conducting value based quantitative research and portfolio management. He stated there has only been one departure from this team over the last 30 years and that was a junior analyst, it is a very seasoned and cohesive team. He stated it is not mandated by the firm but this team has a significant amount of their net worth invested in the strategies they manage alongside the clients. He asked if there were any questions on the firm or the team and there were none. He turned the presentation over to Mr. Fleisher to talk about the strategies.

Mr. Fleisher began with the goal of the strategy to significantly outperform the benchmark of the Russell 1000 Index with consistency so they want to outperform as many rolling 5 year periods as possible. He talked about there may be times that they do not but hey want that to be mitigated so the client experience is a smoother pattern He spoke about the philosophy so, why be quantitative; by being purely quantitative they are able to exploit investor behavioral biases that is the human error or emotion that cause investors to make mistakes. He gave two examples of fear and grief and they do not believe that is ever going away. So, since they believe these biases persist over time they back test their factors and models over long time periods (50-60 years) to get an idea and understanding of how these different

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factors interact with each other. He stated they also believe in simplicity over complexity meaning they only add factors to the model that they feel will have a significant contribution to the model's performance and that way they will have less factors or about 10 factors for that model. He added that simplicity enables them to get a deeper understanding of those factors and how they interact. He stated from that deeper understanding is where they were able to develop the Dynamic Value Shifting Tool and that is where they shift between two static models; the deep value model and the broad value model and they will only be invested in one model at a time. Mr. Juelis commented what sets Brandywine apart from some of the other managers in their peer group is this Dynamic Shifting Tool and pointed out one of the things learned coming out of the tech bubble was that the factors work better at different times so they created this shifting tool to put the portfolio in the right set of factors to produce high excess returns with lower volatility. He stated as proof he referred to Page 8 top left panel of Dynamic Large Cap Value Return Rank/Excess Return and on the top right panel which is the measure of volatility versus the index but more importantly it is not just producing high excess returns which they have been able to do but doing it by using risk very effectively as seen on the Information Ratio chart on the bottom right over the 3, 10 and since inception periods being really high versus their peers. He stated this is a proof statement that this works, they have tested this over long periods of times as they do want this to work for long periods with consistency.

Mr. Watler asked for more explanation of the Information Ratio. Mr. Fleisher explained they are looking at the excess return divided by what is being adjusted by tracking the relative volatility.

**PUBLIC FORUM: Time permitted, public comment shall be permitted at the end of agenda items only and shall not exceed two minutes.**

None.

## **5. NEW BUSINESS:**

### **A. Discussion re: Cancer Bill Amendment - Pedro Herrera, Plan Attorney**

Chairman Vroman stated the Cancer Bill has Mr. Herrera's name next to it however, he had to leave the meeting. He asked Ms. Spriggs may have information on this item if the Board wanted to table this item or Ms. Spriggs may have information on this item.

Ms. Spriggs stated Mr. Herrera has drafted the language for modification to the ordinance in relation to the law changes mainly in the area of the Plan's disability section; it includes the cancer and the assumptions language. She stated this is something that the Board would approve and then it would move on to the City Commission. Mr. Gizzi commented the bill

included some numbers relative to the impact to the Florida Retirement System (FRS) and he would assume there will be a similar impact to the Plan with that impact number coming

from the Plan's Actuary. He stated he guesses we should receive that information from the actuary to measure that impact. Ms. Spriggs asked if the Board wanted something from Foster & Foster at the next meeting. Mr. Gizzi commented there are some grey areas in the legislation and he looks forward to having those conversations with the Plan Attorney and

Actuary.

**It was determined that this item should be tabled to the next meeting.**

**B. Discussion re: Requests and procedures for Future Board Meetings**

Chairman Vroman stated the next item is a discussion regarding requests and procedures for future Board meetings. He stated this came out of a request from Debbie Latell at our June 10th Meeting requesting to be placed on the agenda for X amount of time. He stated based upon conversations with the City Clerk's Office it was determined that it was best to not make a sole decision that the Board should discuss this issue and decide what will be done moving forward. He stated whatever we do for one we must do for everyone as it relates to the situation as this is not a Plan Member. He stated she spoke, the Board listened and sent her to legal. He stated it is up to the Board as to what they want to do.

Ms. Day commented that the request was that Ms. Latell wanted to be placed on the agenda for 30 minutes and have her attorney call in and ask questions of the Plan Attorney.

Ms. Spriggs commented that typically in any domestic situation the Plan Member has reached out to her. She stated she will sometimes be contacted by the spouses and what she has done is to put them in touch with the Plan Attorney. She stated the Attorney's office typically has a very set way to handle this with the other party's attorney where they have a standard informational packet that is provided to the attorney so they can understand the plan in legal terms. She stated this particular situation has been going on for a while and Mr. Christiansen has been in contact with several different attorneys who have represented her. She has been in touch with Ms. Latell's attorneys because Ms. Latell has requested public record documents as requested. She suggested the Board talk to the new Plan Attorney about how he would handle this situation. She stated she also has a couple of other lingering issues she would like to discuss with the Plan Attorney.

Chairman Vroman stated Mr. Christiansen has spoken with multiple attorneys and in this case are we footing a bill that is not necessary when we should be spending money on education. Ms. Spriggs responded she knows how Mr. Christiansen handled it; it was very systematic and he spent minimal time as everything is in the document.

Mr. Gizzi commented he agreed with Ms. Spriggs' assessment and he believes the Board should have the plan attorney talk to Ms. Latell's attorney. He stated if it is part of the role of the Board to weigh in or bear witness to a domestic issue then the Board should do that but that is a legal question that he is not prepared to answer and we need an answer to this question. Mr. Watler commented he has never seen someone be given free access to a Plan Attorney as the quadros are pretty set. Ms. Spriggs commented that typically when a member is going through a divorce or some type of situation they will contact her and she will either be able to answer their questions; if they are going through a legal proceeding she has them have their attorney touch base with Mr. Christiansen and Mr. Christiansen would provide the information on how the Plan works. She stated this situation was a little different in that it involved a lot of public records requests and we had to respond. She stated she will have a discussion with Mr. Herrera on this one and one other one so he is aware and then we can



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talk about what the Board's responsibility is because this is not what happens typically.

Chairman Vroman suggested this item should be tabled until the Plan Attorney is present to address it. He asked that Ms. Spriggs make sure that Mr. Herrera has gotten in touch with Mr. Christiansen so that we are not getting billed for the same subject matter. Ms. Spriggs responded she will make sure Mr. Herrera is up to speed.

Mr. Watler commented that Ms. Latell had stated she had contacted Ms. Spriggs and that something was not correct. He stated he had asked Ms. Latell to provide the email where she had contacted Ms. Spriggs and to forward a list of her questions. He asked Ms. Spriggs if she could provide that email. Ms. Spriggs responded she can provide everything and commented this has been going on since Mr. Latell retired so there have been on again off again discussions and her legal representation has changed. She added we do provide public records but we are not here to give advice legally. Chairman Vroman commented that is the case and he would prefer to have something in writing from her attorney. Ms. Day commented Ms. Latell was asked by the Board to provide the documents and nothing has been received.

**Motion by Member Watler, second by Member Gizzi to table the issue until the next meeting.**

**For:** 3 - Chair Vroman, Secretary Gizzi and Member Watler

## **6. OLD BUSINESS:**

### **A. Discussion re: Request For Proposal (RFP) for Pension Plan Administrative Services**

Chairman Vroman stated the next item is 6A Discussion: Request for Proposal (RFP) for Pension Plan Administrative Services and Foster & Foster is here today to present to the Board.

Ms. Spriggs gave the history on this item. She stated Mr. Christiansen had put out an RFP some time ago February or March, there were 4 responses to the proposal, and one came un-announced to a meeting where the Board talked about their proposal; that proposal was Lauderbach & Amen. She stated at that same meeting Mr. Donlan from Foster & Foster was in attendance and the Board discussed having Foster & Foster come back and give their proposal at this meeting today. Chairman Vroman commented there had been a consensus based on the proposals submitted that of the 4 proposals the Board would have Foster & Foster and Lauderbach & Amen make presentations.

Ferrell Jenne who heads up Foster & Foster's Administrative Services Division introduced herself and Siera Feketa who is one of their Administrators and if hired today she will be assigned to this account. She stated they had sent in a proposal some time ago and understanding this is a long Board meeting today the presentation she passed out today is just a Cliff Notes synopsis. She stated she knows the Board is very familiar with Foster & Foster but she wanted to take a few minutes to go over the firm as they have changed quite a bit. She stated they were founded in 1979 as a Florida based actuary, they provided actuarial services to over 250 Florida plans and have a dedicated division that provides administrative services to 40 Florida public pension plans. She went over the staff including 38 on the administration side and 22 actuaries who are the backbone. She stated it makes a seamless efficiency when they are the administrator and the actuary for example if someone asks for a benefit calculation as the administrator they have access to see where requests are in the process, is it in for final review, is it coming out on Friday or are there questions out to the City for information that may be missing on the salary, etc. in live time while speaking with the members. She stated there are always have at least 2 administrators assigned to every plan so that if anyone is out or traveling you will have an administrator, analyst, billing person and a receptionist assigned to your plan. She stated the transition to them will be seamless as they have all the evaluations, reports, benefit calculations and the ordinances so they will not have to request a lot of information and they

are very familiar with Deltona's plan. She gave an outline on why they are the best fit for the plan. They are very familiar with Mr. Christiansen and Mr. Herrera and their forms. She spoke about document security being very important and they are Hipaa compliant. She spoke about a dedicated website that contains all the plan documents such as evaluation reports, meeting minutes, ordinances and everything that is plan specific and it is updated on a quarterly basis. She stated this is setup and maintained at no additional fee. She added there is an area for the Trustees that has your financial disclosure form, a travel reimbursement form, upcoming educational opportunities and it can be customized to include other things that Trustees would want. She stated everyone has been vetted and they get quarterly training by Mr. Donlan. She went over their fees proposing an annual fee of \$21,600 paid in monthly installments of \$1,800 and that includes 6 meetings, no processing or copy fees with fees not to increase for at least 3 years. They will charge out of pocket expenses like mileage is additional. She stated they are prepared to do the State Annual Report with a special team that specializes in the State Report in the State of Florida. She stated in regards to the new Cancer Bill there will be a cost.

Mr. Watler asked to clarify that if they prepare the State Annual Report it is an additional \$3,000. Ms. Jenne responded "yes" because sometimes the City or the Plan Administrator does the report so they have carved it out. Also any back and forth with the State would be included. She stated the agenda packets go out a week ahead of time electronically. She stated they handle the contractual business in between times and she passed out an invoice summary spread sheet and she explained they have a separate billing coordinator so that person gets the vendor invoices matching them to the contracts, special projects would go before the Board for authorization for payment. She stated they will also have a Fund Activity Report which is a snapshot of the ins and outs of the plan such as members entering DROP, refunds, etc. and would be ratified by the Board. She spoke about a possible conflict of

interest with Foster & Foster being the actuary explaining they are audited by a third party. She stressed the importance of being familiar with the Florida Pension Plans.

Mr. Watler referred to the client list provided and asked if these were the clients being services now. Ms. Jenne responded "yes" and you will see the bulk of the clients are police and fire clients.

Ms. Jenne spoke about the transition process where they would work with Ms. Spriggs and transfer the files over to their server.

Mr. Gizzi asked if there would be any transfer or set-up fees. Ms. Jenne responded "no".

Chairman Vroman asked if they would handle the minutes. Ms. Jenne responded "yes". She explained they would handle the agendas, postings, minutes and approval of the minutes.

Ms. Spriggs asked about the State Report and if they would be reconciling between Salem Trust and Foster & Foster's records or will they be relying on the City to do the whole fund reconciliation. Ms. Jenne responded they get financial statements from the City but they reconcile on a monthly basis on the actuarial side because they are also doing the valuation report.

Chairman Vroman referred to the proposal about splitting the fees and he asked what other clients do they have nearby or is the list provided a complete list. Ms. Jenne responded that is the complete list. She stated she just came from the Daytona Beach meeting so they would split the fees with Daytona as far as the mileage. She added it would be similar to your attorney.

Mr. Gizzi asked Mr. West if he had any observations. Mr. West responded that &Co works with both firms, both do an excellent job and obviously Foster & Foster has a larger Florida presence.

Chairman Vroman asked if on the website portal if there would be any availability to have videos for member training if the member is unable to attend. Ms. Jenne responded they could possibly do a PowerPoint that could be converted to a PDF with a link they could click on under a new hire section.

Foster & Foster left the meeting.

Mr. Gizzi asked if the Board should discuss this issue and asked if there was a timeline.

Chairman Vroman commented that Ms. Spriggs is the timeline. Ms. Spriggs responded whenever the Board is ready to make a decision that she isn't going to rush the Board or go away. She commented that the Board needs to refresh themselves on the Lauterbach & Amen proposal as their concept on what they are presenting is very different than the piece that Foster & Foster is presenting. She stated Foster & Foster will be doing what she is doing and what Ms. Day is doing where Lauterbach will be doing that also as well as doing some of what Salem is doing and that may change the Plan's relationship with Salem. She stated she would have to refresh herself with Lauterbach's proposal but she thinks Lauterbach would be doing payments so it would make Salem have custody of the investment security only.

Mr. Gizzi asked if it would change the Plan's fee structure with Salem. Mr. West commented it could potentially change the fee structure. Ms. Spriggs commented we would have to talk with Salem about what their model is on that side.

Chairman Vroman commented that Lauterbach & Amen (L&A) had reached out to him and said they would be here at the meeting. He stated he had spoken with the City Clerk's Office about putting Lauterbach on the agenda and it was determined that would not be necessary and that if anyone had questions Lauterbach could answer them as it had been a while since their presentation. The Board agreed since representatives from Lauterbach are here they should take advantage of it. He commented he did not have a copy of the proposal with him. Ms. Spriggs responded she had her copy.

Mr. Stephen Earnhardt and Mr. Don Ruiter from L&A joined the meeting.

Mr. Gizzi stated his first question would be about the overlap with the services provided by L&A. He commented if the Board goes to the custodian and their role changes he would hope the fees would change as well. Mr. Earnhardt responded their experience has been that the plans were just having the City pay benefits and invoices and they would transition those services to Lauterbach. He stated he would imagine that Salem would reduce the fees if they are no longer responsible for a large part of the work and he cannot speak to what that reduction might be. He stated the service L&A supplies will allow the Plan the flexibility to find a custodian who does not also process vendor payments and benefit payments and just may want to just hold assets and may just have a basic custodian fee. Mr. Ruiter added he had experience going the opposite way with the Daytona Beach Pension Fund where they went from a vendor providing that service to Salem and the increase was a large increase from just custodian service to custodian and benefit payment services so when going the other way there should be a decrease.

Mr. Watler suggested if Mr. Earnhardt and Mr. Ruiter are prepared to let them give the Board some highlights.

Mr. Gizzi asked for a 10 minute Cliff Notes version.

Ms. Spriggs stated she had some questions because the Board is trying to figure out how it would change the way the consultants work. She asked if L&A does the benefit calculations and do not rely on the actuary to do the benefit calculations. Mr. Earnhardt responded that the

actuary would still needs to be a part of that process to give their stamp of approval and L&A would just provide a second set of eyes; so if there is an estimate request on a standard form that would be a simple math calculation but if you are talking about other forms of payment they do not want to overstep their boundaries and act like an actuary when they are not. Ms. Spriggs commented under Lauterbach's concept they will be doing full benefit payments to the retirees so there is a cash component and L&A would be holding funds where she does not hold funds. She stated with the Foster and Foster concept they would not be holding funds. She stated L&A is actually going to do the benefit payment process, the tax return process and everything for the retirees that Salem is now doing so there would be some modifications. Mr. Gizzi asked to clarify that L&A's administrative services would by definition include those parts and is not something that is negotiable. Mr. Earnhardt responded right because of the process; they could come and do the agendas, take the minutes and keep your participant files and do a lot of the back end stuff and they can work with the plan in that capacity however they feel once you start down the road of their full package you will find that it is the easiest thing the Board has done as it will be seamless and it is something that all of their clients use. He pointed out when there are more people involved in the process it becomes more convoluted. He explained it is a simple once a month or when money is needed to fund that account to pay those members or vendors whatever they are due and on time. He explained with the custodian piece of it they do not technically hold any assets it would be at BMO Harris Bank and L&A is not a signor on the account as it is only for the members. Ms. Spriggs asked how it is authorized by the Board Members. Mr. Ruiter explained the Chair and the Secretary for the Daytona Beach Plan are the signees which is the same way you are doing it now. Mr. Earnhardt commented L&A would send an email that says here are the benefit payment dollars, here are the vendor dollars, here is the total amount to be transferred and that gets effective. Ms. Spriggs asked to clarify that in between meetings if L&A received an invoice how that would be handled with obtaining signatures. Mr. Earnhardt responded they would facilitate that. He added that one of the processes that they offer at no additional cost is called "pay today" so if you receive an invoice like from your attorney they can turn that around in 2 business days. He stated the Board can give instructions on how authorization can be given and the payment can be processed. He stated they will keep a minimal amount of money in that account to kind of maintain and the amount is typically \$15,000 to \$50,000 depending on the size of the client's invoices. Ms. Spriggs asked if L&A would do the State Report. Mr. Earnhardt responded "yes" explaining that included on the schedule is Year End Activities which is where they are preparing for the audit process. Ms. Spriggs commented it is under Compliance.

Chairman Vroman went over the proposal that included the benefit administration monthly accounting, year-end activities and pension service administration adding up to about \$32,000 but the question is are we going to ala carte these or do we need all this to do what we are doing. Mr. Earnhardt responded his preference is to have the Plan do everything and have one solid number however if the Board is only comfortable moving forward with a specific line of service L&A is happy to make it work to meet the Board's needs. He stated he thinks if the Board does everything it creates the efficiency that allows the Board to run smoothly. Chairman Vroman stated there is a difference between the two proposals and he asked if there was any give room on anything. Mr. Earnhardt responded L&A can work with the set-up fee and one thing he does want to point out is the number that you see in the engagement letter that would agree with the cost sheet in the proposal is the

number you would pay every month and there is no other cost associated with their services; they do not charge for travel, postage, printing and there would be very few instances that would be above and beyond the scope that would require additional fees. He added if there was a project that came up they would discuss it with the Board and come up with an agreement on the scope and a fee. He stated they would even lock the fee in for a three year period.

Mr. Watler asked how L&A handles communications with members dealing with sensitive data. Mr. Earnhardt responded emails, fax, phone calls with information can be handled and they have a portal system where a portal login can be created for the members to login and upload sensitive information if needed. Mr. Ruiter added there is security for everything.

Mr. Watler stated the last time L&A was here they were looking to have an office in Florida and he asked if they were still planning that. Mr. Ruiter responded "yes" they are working on narrowing down the best location. Mr. Gizzi asked if the portal was for uploading and downloading documents for protected information and is there a web portal. Mr. Earnhardt responded that is what the portal becomes; it basically has a file system just like a directory in Windows where you would have different folders like Active Member Files and Retiree Member Files. Mr. Gizzi asked if it is a member portal. Mr. Earnhardt responded "no" it is the Board's Portal where the Board Members are the only ones to see that. He stated the people they work with most do not tend to need that level of interaction with the website. He stated they are very people focused so they prefer a phone call to interact with them directly and see that different level of customer service. He added whatever the Board's needs they are able to adapt to and that is why they have been successful. Ms. Spriggs asked if someone was looking at going into DROP or retiring would that member just call and that person would send the member the package with the forms. Mr. Ruiter responded that person would walk the member through the process and follow-up and stay with the member. He stated there is a group that just handles the current members and a group the just handles the Trustees on the Board that is personalized and they will have backup for the meetings that is familiar with the Board, the system and the meetings. Ms. Spriggs asked if L&A would adopt any forms provided by the Plan Attorney. Mr. Ruiter responded "yes". He added you will have a personalized service and he realizes the Trustees spend a lot of the time doing a lot of the administration work when the members come to the Trustees at work and asking questions. He stated L&A wants the members to call their office for help with the DROP, retiring or going through a divorce rather than the member getting information or a guesstimate off the computer.

Chairman Vroman commented there is about \$3,000 difference between L&A and Foster & Foster and it is \$3,000 higher on L&A's side including their mileage. He stated where the big difference is Foster & Foster has some hourly billing for special work where most of that is included with L&A's proposal so he is unsure on that side with Foster & Foster. He stated he is not sure if there is anywhere L&A can save the plan a little but the Board would greatly appreciate it if L&A could. Lastly Chairman Vroman asked about the office location. Mr. Ruiter responded they know they are not going toward Orlando and they do like this area.

Mr. Earnhardt commented if it comes down to the \$3,000 they will be happy to make the concession to make sure they are not charging above the market rate and he feels L&A will earn the Board's trust. They showed a demo of the portal and they would be providing the tablets and

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there would not be any IT involved for the Board, they bring the tablets and set them up. Chairman Vroman asked Mr. West if he could provide his reports and information in PDF. Mr. West responded he emails his reports in advance so the Board has time to review them and then he comes to the meetings with hard copies for the board's convenience but would be happy to not show up with the hard copies. Mr. Ruiter explained he had converted to the tablets in Daytona and because of public record the Trustees should not be taking this information home so now there has to be a keeper and you have to keep this information for so long. So, by putting everything in the tablets and going paperless you are saving everything and archiving everything for example if the Board makes a decision today on a money manager and Mr. Watler objects, those notes are now archived on the tablet so that when Mr. Watler is not a Trustee anymore and a new Trustee comes aboard the notes will be archived for future reference.

Mr. Gizzi asked if there was a recording. Mr. Earnhardt responded they record the meetings to make sure the minutes are correct. It was explained that pre-minutes are done before the meeting based on the agenda including the information from the consultants with the numbers provided plugged in along with the monthly financials, the meeting is recorded, the administrator updates the minutes during the meeting and then when the administrator gets back to the office the administrator goes over the minutes and listens to the recording to make sure she did not miss anything and then store the recording and the hard minutes for approval at the next meeting. Mr. Gizzi commented there should also be communication between L&A and the actuary. Mr. Earnhardt responded L&A has an actuary inhouse everything is inhouse so he understands communication and they do a great job of keeping records and making sure that everything is buttoned up for the clients that are not using L&A's actuary. He stated they have mutual clients with Foster & Foster in Illinois so they are familiar with how to communicate with them. Mr. Gizzi expressed that he is really glad Mr. Earnhardt and Mr. Ruiter came to the meeting and it helps the Board sharpen their thoughts.

Chairman Vroman asked if L&A would be attending 12 meetings if needed; Foster & Foster said 6 meetings. Mr. Earnhardt responded they are 6 meetings and will have a conversation if there are additional meetings.

Mr. Fleemin rejoined the meeting at 3:50pm.

Chairman Vroman asked Mr. Fleemin if he had any questions for L&A since they are back. Mr. Fleemin responded he did not have any questions.

Chairman Vroman thanked L&A for coming back for the meeting and answering questions.

Mr. Gizzi commented he was looking at the numbers and he asked Ms. Day how much time she spent on the FFP meeting and how much it would be if she billed the plan. Ms. Day explained she does not just work on the minutes that she has other duties and she does the minutes in between. Also, it takes about an hour to set up the agenda.

Chairman Vroman expressed his concern with Foster & Foster is the Board does not like their administrative services then we have lost a good actuary or if the Board does not like the

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actuary we have lost their administrative services; he likes their price but he does not think you can separate the two. Mr. Gizzi commented he understands that sentiment but would add that he would have some discomfort carving out that piece. He stated he was ready to say this is easier and less of a hassle on the Board's part and he was leaning heavily towards Foster & Foster but truthfully now he feels like L&A is probably more that the Board needs for the plan size but feels the plan will grow into. He stated he feels L&A will meet the plan's needs on a long term basis and they are very thorough as demonstrated by meeting packet that was shown. He stated he is leaning more towards L&A and suggested they may be willing to waive that set-up fee.

Mr. Watler commented he believes L&A is hungry to get a start in Florida and the Board is going to get extra care. He stated it is not like a new firm as they are already experienced and know what they are doing. He stated he is good with L &A.

Chairman Vroman stated he is good with L&A and he is willing to with the waiver of the fee and at least for the first three years a reduction in the proposed fee of \$3,000. He stated based on his calculations of travel and all the other services that are itemized in Foster & Foster's proposal it would put L&A on the same level with Foster & Foster and it would give the Board three years to try L&A out. He stated after that if L&A needs to get back to where they were at and the Board likes them that can be discussed. Mr. Watler offered a motion to hire this company at set price. Mr. Gizzi commented now L&A wanted \$32,375 according to their schedule plus the \$5,000 set-up fee so if the Board sets that number at \$2,500 per month it would be \$30,000 and waive the set-up fee we will have saved the plan and he thinks L&A may do it. Mr. Gizzi offered a motion. Chairman Vroman stated there is a motion on the floor. He asked if there was any discussion and there was none. He stated for the record that he did not open the item up to the public as there was no public in attendance.

**Motion by Member Gizzi, second by Chairman Vroman to hire Lauterbach & Amen, LLP if they are willing to meet their obligations at \$2500 per month and waive the \$5,000 set-up fee. The motion passed by the following vote:**

**For: 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler**



Mr. Gizzi asked if there was any timeline. Chairman Vroman suggested at least a one month overlap so L&A would have Ms. Spriggs at their disposal and to make sure all the records are transferred appropriately. Mr. Gizzi commented we are a young plan and part of the justification to waive that set-up fee is to keep Ms. Spriggs on to make that transfer. He stated the plan already has some set-up costs and that should be part of the conversation. Ms. Spriggs stated one other thing is the discussion with Salem. She is not sure it will change their fees but it will change their services and there will be transition with Salem also because L&A is going to take over the benefit payments. She suggested a cleaner change over may be January 1 for the benefit payments because of the tax returns. She stated we may need to talk it through with all of them as L&A will also be taking over the vendor payments and there will be cash as L&A will have to have an account that is replenished so they can pay invoices and benefits monthly so there is some set-up that needs to go on in this change. Ms. Spriggs commented this will be a little more turnkey this way and she is actually excited the board is going this way. She stated to her this way you do not have much room for error with things going between parties. Mr. Gizzi asked if there is an itemized bill from Salem. Ms. Spriggs responded Salem bills by a fixed monthly plus transactions so the fee is more on the investment side. Mr. West commented he works with both types of arrangements and L&A is raising the bar as far as the level and complexity for the comprehensiveness of service they are providing so going back to the cash flow &Co currently has a standing letter of direction with Salem for rebalancing and trades by &Co so the money flows. He suggested what would happen now is there would be a standing letter of authorization with Salem would be transferred over to L&A and they will be sending the authorized direction to Salem. He stated we would be taking out an extra step and it would be kind of an efficiency as you are moving to a larger plan service orientation. Mr. Gizzi suggested we need to act in good faith and talk to Salem about their work load being lower and that we expect a lower fee. Mr. Watler suggested maybe an RFP to let them know. Mr. West commented there may be an inclusive agreement with Salem but those services are usually part of a standard menu that is in any custodian's baseline fee and suggested the Board look at Salem's contract. Mr. Gizzi responded that is where Mr. Watler's idea about the RFP because there might be other custodians that will accept that and take that different amount of work. Mr. West stated he is not sure of the expiration but feels you can negotiate with Salem. Mr. Gizzi asked who is talking to Salem. Ms. Spriggs suggested the pool of custodians may be larger if they are not doing the benefit and vendor payments because our plan has far exceeded custodial service and there may be more competition for just the investment side. Mr. Gizzi commented he believes that whether the Board is in agreement about negotiating with Salem or doing an RFP and find a custodian who will not charge as much for a reduced amount of work. He added one way or another the Board should find a way to finance this cost. Ms. Spriggs offered to facilitate the transition with Salem and work with the Plan Attorney. Mr. Watler commented the Board should hire L&A and then have discussions with Salem. Ms. Spriggs suggested L&A could start and not do the payment part and then have a transition date with Salem to bring in that piece. Mr. Gizzi asked if the Board should target January 1, 2020. Chairman Vroman stated he does not care about the transition he believes the Board should

just bring on L&A because the October 1 date and the January 1 date could both be good. Mr. Watler suggested if the Board does not change the Salem part Ms. Spriggs can get the comfort level and the transition with L&A and once they say they have it then the Board can deal with

Salem.

Chairman Vroman asked if there was any value to inviting L&A to meet with the City Clerk's office to make sure the transition is seamless for everyone let's make that happen. Mr.

West stated it would be important to have the annual records that get submitted for the CAFER Report, 990 and should be coming from the same source so it is an entire full year periods otherwise you will be getting it from two different sources. He pointed out that it will be simpler and more effective to have Salem to the end of the year. Ms. Spriggs asked who would be notifying L&A. Chairman Vroman responded it is not just notifying L&A but it will be this is the Board's proposal and will they accept it. Mr. Watler suggested the Administrator (Ms. Spriggs) should notify L&A and say this is what the Board voted on and ask if they are comfortable with it. It was determined by the Board that Ms. Spriggs would speak with L&A.

## **7. STAFF COMMENTS:**

### **A. Plan Attorney Comments - Pedro Herrera**

No comments.

### **B. Plan Administrator Comments - Lisa Spriggs**

Ms. Spriggs stated the only thing she had was that everyone has filed their disclosure forms and that the State Report has one final document she is trying to get and it may not exist. She stated when the Union negotiated the premium tax article that article was supposed to be a sign-off by the City Manager and the President of the Union and we do not have a signed copy. She stated this was back in 2015 and for the past two years she has submitted the unsigned copy however this year the State wants a signed copy. Chairman Vroman responded if there is no signed copy he is sure one can be executed by the City Manager and the President and maybe we should have that executed while we are looking for a signed copy. Ms. Spriggs stated the Plan's Fiduciary Liability Insurance is due October 1. She has not received the quote back but if it is not a large increase she would want to go ahead and execute the payment. It was suggested a 5% - 10% increase would be reasonable. Mr. Watler offered a motion to go with the same premium up to a 10% increase as authorized.

There were no other comments.

**Motion by Member Watler, second by Chairman Vroman to go with the same premium up to a 10% increase as authorized. The Motion passed by the following vote:**

**For: 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler**

## **8. BOARD/COMMITTEE MEMBERS COMMENTS:**

Mr. Fleemin asked if the Board had discussed the issue of the Cancer Bill with the Plan Attorney. Chairman Vroman responded the item was tabled until the next meeting.

Mr. Gizzi commented that he has the City Bound retroactive back to July 1st for the coverage

for the diagnostic for \$25,000 and for the \$75,000 death benefit and to his knowledge there is only one other carrier and they have not been approved by the Insurance Commissioner. He stated they were only covering the diagnostic, not the \$75,000 death benefit. He stated the members are in a good position with the exception of those 7 firefighters who retired prior to July 1st and are not covered under the policy. He stated that is not an insecurity for the firefighters but it is a liability for the City and he is trying to get that liability mitigated through insurance. He stated he also wanted to thank Ms. Spriggs for taking the plan from \$3.2 million in a money market fund to get this plan into the fast lane and now into the passing lane. He thanked Mr. West also.

Mr. Watler stated he believes the board has a duty to pass the Cancer Ordinance to send to the Commission and the Commission can decide what they want to do. Chairman Vroman agreed as the bill was passed on July 1st and this is the first meeting the Board has had since then so we probably do have an obligation. Mr. Watler commented the City can table the ordinance on their own but at least the Board has sent it on. It was determined that Mr. Herrera needs to have authorization to forward the ordinance to the City for the Commission's action and that there will need to be an Impact Statement prepared by Foster & Foster.

**Motion by Member Watler, second by Member Fleemin to have the Plan Attorney review this and if everything is germane to forward it to the City Commission for adoption. The motion passed by the following vote:**

**For: 4 -** Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

Mr. Watler commented there is an International Benefit Foundation conference in October in San Diego. He is considering going and wanted to get it before the Board.

Chairman Vroman commented he had looked at that one but he was confused about some of the fees and he was going to bring it up also. He commented he wanted to thank Ms. Spriggs for everything she has done for this Plan. He stated there was nothing when we became a city and now it is worth what it is today. He stated he wanted to get Ms. Spriggs a plaque to recognize her for her time with the Board and he made a motion. Mr. Watler asked to amend the motion to say gift which he will discuss later and he thanked Ms. Spriggs also.

**Motion made by Member Watler, seconded by Chairman Vroman to purchase a gift to be discussed later for Ms. Spriggs for her time with the Board. The Motion passed by the following vote:**

**For: 4 -** Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

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Chairman Vroman commented he had looked at that conference that Mr. Watler brought up regarding employee benefits. He stated there is a registration for individual or organizational and he did not know how that works. He stated they do have a pension track that is on a different level than the FPPTA and he believes the conference will be just before or after the Board's next meeting. After discussion the Board decided to authorize any trustee to attend and Chairman Vroman offered to make a motion.

**Motion made by Member Watler, seconded by Chairman Vroman for approval of any trustee to attend the International Employee Benefit Conference in San Diego bring back their final amount to the October Meeting. The motion passed by the following vote:**

**For: 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler**

Mr. West asked to confirm the next meeting date. It was confirmed that the meeting date is October 15th at 3:00pm. Mr. West commented if it is alright with the Board as a professional courtesy he will email all the presenters today that the Board will be making a selection at the October 15th meeting.

Mr. Watler commented he had a couple of questions regarding the presenters. He asked to have the presenter's rankings in their universe as far as being competitive because as of now we are only seeing people in &Co's list of approved presenters. Mr. West responded this list is managers that &Co has vetted and he will be more than happy to update the previous manager search with the latest rankings closer to that meeting which will continue to include the Grand Open Broad Based Universes. He stated the previous report that the Board had did rank the presenters in an unfiltered universe. Mr. Watler commented one concern he had is other money managers pay to play and he does not want to be limited to only people who have gone through &Co's screening process. He stated sometimes managers can be brought that are not on &Co's radar that should be. Mr. West responded &Co has an open manager policy as the Chairman will confirm and if you go to the San Diego conference and find a manager he would like &Co to check out and he will be more than happy to do that.

Chairman Vroman asked Mr. West to include in the email to the presenters that they respond to any questions the Board had asked the presenters to provide. He stated also he believed Mr. West had provided 3 presenters for the first round; one said they would do by phone conference so he would like to make it a policy that presenters must make presentations in person in the future which he will bring for discussion at a later meeting. Mr. West responded that was his response to that presenter and as a result that manager did some rescheduling and they did present today.

Mr. Gizzi asked if the Board was going to review that manager search and come back to the next meeting. Mr. West responded he will have an updated report and he will highlight stylistic differences and have some possible combinations. He reminded the Board to be thinking as they go through the searches the differences between a pure quantitative manager and this pertains mainly to the value managers to make sure the Board is comfortable with a computer driven strategy or a bottom up hands on type of approach.

It was determined that the item should be "Discussion and possible selection of a Growth Manager and a Value Manager" on the October 15, 2019 meeting agenda.

**9. ADJOURNMENT:**

Mr. Fleemin made a motion to adjourn the meeting at 4:28pm.

**Motion was made by Member Fleemin, seconded by Chairman Vroman to adjourn the meeting at 4:28pm.**

**For:** 4 - Chair Vroman, Secretary Gizzi, Member Fleemin III and Member Watler

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Kurt Vroman, Chairman

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Gene Gizzi, Secretary